



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201040020**
Release Date: 10/8/2010

Date: July 13, 2010

UIL: 501.06-00; 501.06-01

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:
1120

Tax Years:
All

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(6). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, you should follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at

Letter 4040 (CG) (11-2005)
Catalog Number 47635Z

1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Rob Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

Letter 4040 (CG) (11-2005)
Catalog Number 47635Z



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: May 12, 2010

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

LEGEND:

C = Car Make
D = Car Make
E = Car Make
F = Company
O = Company
P = State
S = Geographic Area
T = Date

UIL:

501.06-00
501.06-01

Dear :

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(6). The basis for our conclusion is set forth below.

Issue

Do you qualify for exemption under section 501(c)(6) of the Code?

Facts

You were incorporated under the laws of the State of P, on T.

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The purpose clause in your Articles of Incorporation states "the sole purpose for which this corporation is formed is to advertise and promote the products and services of C, D, and E dealers, who are members of the corporation." The Articles of Incorporation further state that your activities and objectives are as follows:

- (a) *To foster and promote retail trade and commerce in connection with the products and services of members, and to protect the same from unjust and unlawful exactions and impositions.*
- (b) *To foster and promote the interest of those persons, firms and corporations engaged in the retailing of C, D, and E vehicles in the S DMA (Designated Market Area-a television advertising market as defined by F)*
- (c) *To conduct and operate means and places of disseminating information relative to the use of motor vehicles and to promote the sale of motor vehicles, and for such purposes to establish, conduct, and manage advertising and promotional campaigns, exhibitions, display tests, trials, and demonstrations.*
- (d) *To promote the establishment and maintenance of a high standard of business ethics by members of the corporation and by all other automobile dealers, and to discourage the use of false or misleading advertising or any other business practice, which may be detrimental to the public and to the retail automobile industry.*

The activity description submitted with your application affirms the purpose clause in your Articles of Incorporation by stating that your activities consist of running ads and conducting and managing advertising and promotional campaigns, exhibitions, display tests, test and demonstrations. These activities will be conducted by your member dealers in the S area.

Your membership is limited to those persons, firms, and corporations actively engaged in the retailing of C, D, and E vehicles that are duly authorized by O, who are doing business in and around S, and who are participating in a local marketing association and contributing funds to that program at a rate established by the board.

You currently have only two members. Your activities only benefit your members. You stated that there may be additional members in the future.

The financial data you submitted shows your revenue comes solely from "gross dues and assessments of members." Your expenses are directed toward "activities related to your purpose," which as explained above is "advertising and promoting the products and services of C, D, and E dealers, who are members of the corporation."

Law

IRC 501(c)(6) provides for exemption of business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization, whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

Rev. Rul. 55-444 states that an organization formed to promote the business of a particular industry that carries out its purposes primarily by conducting a general advertising campaign to encourage the use of products and services of the industry as a whole is exempt from tax notwithstanding that such advertising to a minor extent constitutes the performance of particular services for its members.

Revenue Ruling 56-84 states that an organization, operated primarily for the purpose of promoting, selling and handling the national advertising in its members' publications, is engaged in the performance of particular services for individual members as distinguished from activities for the improvement of the business conditions of its members as a whole and, therefore, is not entitled to exemption from Federal income tax as a business league.

Revenue Ruling 67-77 states that an organization composed of dealers of a certain make of automobile, in a designated area, whose primary purpose is the financing of advertising campaigns for the sale of that make of automobile is performing particular services for its members and is not entitled to exemption from Federal income tax as a business league under section 501(c)(6) of the Internal Revenue Code of 1954.

Application of Law

You are not as described in IRC 501(c)(6) because you are not a business league, chamber of commerce, real estate board, or board of trade.

Your activities are not directed to the improvement of business conditions of one or more lines of business as defined in Section 1.501(c)(6)-1 of the Income Tax Regulations. Instead of being dedicated to the improvement of a line of business, or the industry as a whole, your activities focus on advertising the products of dealers of specific makes of automobiles in a designated area. This advertising represents the performance of particular services to individual members and that is your primary purpose.

You are not like the organization described in Revenue Ruling 55-444, in that your organization is not promoting the auto industry as a whole. Rather, your purpose and activities are directed at the promotion of your members' businesses, and therefore the promotion of C, D, and E which are specific brands, not an industry as a whole.

You are like the organization described in Revenue Ruling 56-84 in that you are engaged in the performance of particular services for individual members. You are providing advertising for your member dealers only, and your members must be dealers of specific brands of automobiles. The advertising and promotion that you provide for your members is similar to the organization described in this revenue ruling.

You are identical to the organization described in Revenue Ruling 67-77. Like that organization, your membership is restricted to dealers of specific makes of automobiles in a designated area. Your revenue comes from contributions from members, and your primary purpose is to advertise and promote the products and services of your members. Therefore, like the organization described in this ruling, you are not engaged in activities for the improvement of business conditions in the automotive industry as a whole, but rather performing services for your members by advertising the makes of automobiles sold by your members.

Applicant's Position

You claim you meet the requirements of Regulation 1.501(c)(6)-1 in that your purpose is to promote the interest of retailing C, D, and E vehicles in the S area and that it differs from Revenue Ruling 67-77 in that it is for the benefit of the group as a whole and not individual members.

Service Response to Applicant's Position

Your organization is not promoting better business conditions as a whole. According to the information you included with the application and the subsequent correspondence, your organization is advertising for the benefit of your members. Therefore, you are identical to the organization described in Revenue Ruling 67-77 in that your primary purpose is performing particular services for members.

Conclusion

You do not qualify for exemption because your primary purpose is the performance of a particular service for your members. Accordingly, we conclude that you are not exempt under IRC 501(c)(6).

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter.

We will consider your statement and decide if that information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*.

Types of information that should be included in your appeal can be found on page 2 of Publication 892, under the heading "Regional Office Appeal". These items include:

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1. The organization's name, address, and employer identification number;
2. A statement that the organization wants to appeal the determination;
3. The date and symbols on the determination letter;
4. A statement of facts supporting the organization's position in any contested factual issue;
5. A statement outlining the law or other authority the organization is relying on; and
6. A statement as to whether a hearing is desired.

The statement of facts (item 4) must be declared true under penalties of perjury. This may be done by adding to the appeal the following signed declaration:

"Under penalties of perjury, I declare that I have examined the statement of facts presented in this appeal and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."

Your appeal will be considered incomplete without this statement.

If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you during the appeal process. To be represented during the appeal process, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. For more information about representation, see Publication 947, *Practice Before the IRS and Power of Attorney*. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications. If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter to you. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848 and any supporting documents to the applicable address:

Mail to:

Deliver to:

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert S. Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure, Publication 892